DAWN

OPINION

Spiralling crisis

WITH Iran standing at the very edge of a dangerous precipice, regional powers must step up and do what they can in a diplomatic capacity to defuse the country's increasingly tense stand-off with the US. Communication channels between the two countries were previously open, even while leaders were exchanging barbs and threatening each other with annihilation. But the American president on Tuesday announced he was suspending all engagement with Tehran, and it seems regional actors may have to step in as mediators. Another war in this neighbourhood will trigger serious consequences for regional stability and should, therefore, be avoided at all costs. There is no denying that the crisis within Iran is very real: its people seem aggrieved and fed up with the austerity imposed on them due to the policies adopted by their rulers. However, that crisis must be allowed to reach an internal resolution. Adding external pressure to the mix will only have deadly results.

The Iranian government's decision to impose a near-complete communications blackout amidst increasing chaos and violence has made matters much more difficult to understand for those observing from afar. It has been impossible to gauge whether the Iranian people just want better economic governance or to go in a radically different political direction. Things could have been much less complicated had Israel and the US, both of whom bombed Iran last summer, not gotten involved. Their public and unapologetic backing of the protesters and incitements to overthrow the government has drawn a knee-jerk response from Tehran and allowed it to treat the protesters as a national security threat. In the ensuing crackdown, countless Iranians have suffered deadly violence. To make matters worse, it now seems as if the US is keen on making things more difficult for Iranians. It has announced a new 25pc tariff on any country "doing business" with Iran.

The tariff will not only worsen Iranian suffering but will also trigger global economic consequences. Tehran's major trading partners include China, India, the UAE, Turkiye and Pakistan. It exports oil to many others. In capitals around the world, policymakers are calculating the impact of the new tariff and considering their options. Simultaneously, global oil prices have jumped to the highest levels since November following the tariff announcement. Whether or not it is framed as such, what is happening in Iran has now become many countries' problem. It should, therefore, be addressed as such, with all stakeholders aiming to arrive at a resolution that protects the interests of the Iranian people without adding to their existing troubles. Decades of sanctions have wreaked untold misery on them. The least they deserve is to be allowed to negotiate their political future with dignity and agency.

Enhancing exports

THE planning minister's proposal to declare an 'export emergency' reflects a growing realisation that there can be no sustainable growth path without tackling deep-seated external-sector weaknesses rooted in low, stagnant exports. "We will have to ... become an exporting nation on an emergency basis; otherwise, our dependence on the IMF and friendly nations for their financial support will continue," he said while speaking on proposals formulated by a panel led by him. This is true. Pakistan's repeated balance-of-payment crises, resulting in long periods of low growth, and dependence on borrowing from global and bilateral lenders, stem from its inability to boost its export revenues.

That the government wants to raise exports by 40pc over four years and 200pc in 10 years signifies not just urgency but also political ambition. The announcement comes at a time when some reports claim that the state quarters backing the government are unhappy with the economy's weak performance and are pushing for changes in the finance team and economic strategy to accelerate growth. As acknowledged by the minister himself, public impatience with subdued economic activity is mounting. The panel's proposals, including faster export refund payments and a dedicated PM Office unit with a hotline for facilitating exporters as part of the 'export emergency', seems to be focused on addressing the administrative bottlenecks that have eroded business confidence. While these are important measures to facilitate exports, they deal only with the symptoms, and not the underlying structural causes impeding export growth. This is not the first time we are hearing such rhetoric. Yet the country's export performance continues to lag despite frequent declarations of good intentions. In the first four months of the current fiscal, exports grew by barely 1pc. This underlines the growing gap between policy rhetoric and actual outcomes. The nation's economic history is littered with numerous export growth strategies that faltered at the execution stage due to political trade-offs and bureaucratic inertia. Whether this latest effort can avoid the fate that past attempts met will depend on the ability of the authorities to undertake reforms to resolve the underlying structural constraints: a distorted tax system, high energy prices, policy unpredictability, productivity improvements, export product and market diversification, etc. The success of any growth strategy depends on it.

Bodycam order

PUNJAB'S decision to strap body-worn cameras onto nurses, ward boys, security guards and pharmacy staff is the perfect example of how not to fix a broken public service. Hospitals are not police stations. They are spaces where people arrive frightened, in pain and exposed, both physically and emotionally. Turning wards into zones of continuous audiovisual recording violates privacy and dignity. Such a move must, therefore, be withdrawn. The government says it is responding to complaints about misbehaviour and negligence, citing viral videos such as the Nishtar Hospital incident in Multan. But any policy made in anger, driven by social-media outrage, can hardly be sound. As the Pakistan Medical Association has warned, recording every interaction between patients and front-line staff tramples rights and undermines medical confidentiality. Besides, the practicality of such a move must be considered. Who will store, review and secure thousands of hours of sensitive footage? Who will decide which clips can be accessed, by whom, and for what purpose? What happens in gynaecology wards, labour rooms, or when a patient is being examined? Even former Punjab health minister Dr Javed Akram has called the plan "inconceivable", pointing to the impossibility of monitoring, analysing and managing such a system at scale.

Globally, although bodycams exist in hospitals, they are used by security staff to deter violence, not as a surveillance tool over clinical care. Punjab is proposing something far more intrusive, without the safeguards or the debate such a move demands. There are better ways to improve accountability. Hospitals can strengthen complaint redressal cells, introduce independent patient advocates, expand CCTV coverage in public areas, and use digital queuing and prescription systems that leave clear audit trails. Regular supervisory rounds, staff training in patient communication, and swift, transparent disciplinary processes when misconduct occurs would do more to restore trust than turning caregivers into walking recording devices.

BY ZAHID HUSSAIN

Gunboat diplomacy

The unrest in Iran seems to have encouraged the US president to threaten military action.

THE Islamic Republic of Iran is bracing for a possible American military intervention amid widespread mass protests that have paralysed the country. The regime faces its gravest internal and external challenge since the revolution nearly five decades ago. The protests, which began a couple of weeks ago because of the deteriorating economic situation, have turned into violent civil unrest.

Triggered by the massive devaluation of the Iranian currency and the rising cost of living, the protest initiated by shopkeepers in Tehran has now spread across many parts of the country, with students and other groups joining the agitation. The mounting unrest seems to have encouraged American President Donald Trump to threaten military intervention and go for regime change in the country.

He has repeatedly said that America was ready to come to the 'rescue' of the Iranian people if the regime targeted the protesters. "Iran is looking at FREEDOM, perhaps like never before. The USA stands ready to help!!!" wrote Trump on his Truth Social platform over the weekend. His warning seems to have stoked the protests.

Meanwhile, Israel has also stepped up its campaign for regime change in Iran. The threat of American military intervention has created a dangerous geopolitical situation with far-reaching consequences for regional and global peace. Iran has warned that it would target US military bases in the region in case of an American intervention.

It will not be easy for Trump to repeat the brazen invasion of Venezuela, however weak the Iranian regime appears to be in the face of grave domestic political instability. Iran said that it was prepared for conflict but also ready to negotiate with the US. "We are not looking for war, but we are prepared for war — even more prepared than the previous war," warned the Iranian foreign minister.

It's, however, not clear what the two countries would be talking about amid Trump's gunboat diplomacy. Tehran has always shown its willingness to negotiate on its nuclear programme; however, it will not be prepared to discuss internal political matters with Washington. Moreover, Trump has threatened to take some military action before any such talks.

Iran's position has weakened economically and militarily as a result of the 12-day war with Israel and the American bombing of Iranian nuclear facilities last year. Most alarming for Tehran has been the deep penetration of Israeli intelligence agencies in the country.

Many of the attacks targeting Iranian military commanders and scientists, including Iran's top negotiator on the nuclear issue, were carried out by Israeli agents on Iranian territory, exposing the massive gap in national security. Iran has also received a setback in the regional power game in recent years with the fall of the Bashar al-Assad government in Syria and the heavy blow dealt by Israel to Hezbollah in Lebanon.

Meanwhile, Iran's economic crisis has worsened due to the sanctions imposed by the US and other Western countries. As a result, Iranian leaders faced intensifying domestic pressures and desperate, angry protests. Initially, the Iranian government sought to placate the demonstrators. But as the protests intensified, the authorities clamped down on them, using brute force that further angered the public.

A severe crackdown has led to a high death toll believed to be in the hundreds. Iran has been cut off from the outside world after the government imposed a near-total internet blackout.

There has also been a move to project Reza Pahlavi, son of the Shah who was deposed in the 1979 revolution, as an alternative leader for Iran. In the US, where he lives in exile, he appears much more active, guiding the protest through his video messages. But it is difficult for the Iranian public to accept the return of monarchy to the country.

The situation, which Trump seeks to capitalise on, is still volatile. According to the American media, Trump has been briefed by his officials on new options for military strikes. "We're looking at it very seriously," the US president said. "The military is looking at it, and we're looking at some very strong options. We'll make a determination."

But the threat of Washington's kinetic action is bound to unite Iranians against external intervention. The massive pro-government rallies in Tehran and other cities this week are seen as a warning against any American intervention in Iran's internal politics. Supreme Leader Ayatollah Ali Khamenei said pro-government rallies in Tehran came as a warning to US politicians to "end their deceit".

Iranian officials have warned that in the case of military action, US military bases and shipping lanes will be legitimate targets. It's an extremely dangerous situation that could plunge the entire region into a wider conflagration.

It is particularly a challenging situation for Pakistan, which has a 900-kilometre-long border with Iran. Any American military intervention for regime change in Iran will have a direct bearing on Pakistan. Being a front-line state, it will be hard for Pakistan to escape the fallout of the conflict.

So far, Pakistan has maintained a non-aligned stance on the Iran-US tensions, advocating diplomacy and de-escalation, while offering to serve as a potential mediator. In June last year, Pakistan reportedly played the role of a messenger between the US and Iran at the height of tensions before the US bombardment of Iranian nuclear facilities.

Pakistan has good relations with both Iran and the US, but it cannot remain unconcerned about Trump's imperialistic aggression in its neighbourhood. Pakistan needs to condemn America's intervention in Iran's internal political matters.

Trump's military escalation would destabilise the entire region, thus presenting a serious national security challenge for Pakistan. A Venezuela-like action in Iran could also draw other major powers, such as China and Russia, into the conflict. Trumpian imperialism presents the biggest threat to global peace, and that must be stopped. ■

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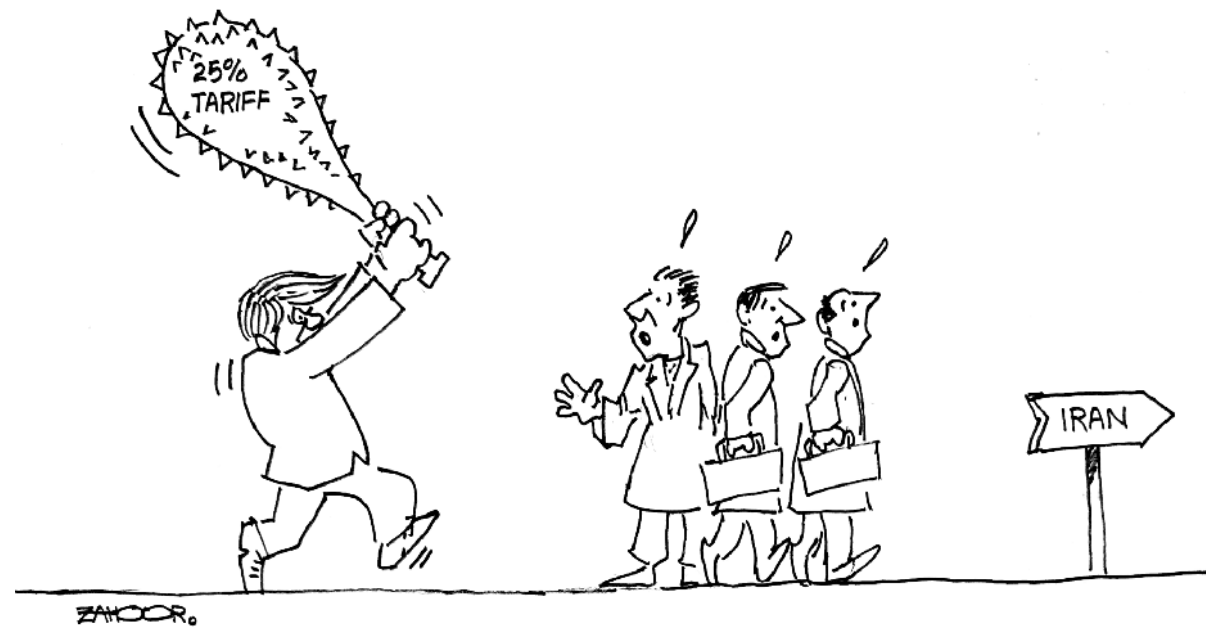

BY WAQAR WADHO

Not the NFC's fault

WITH the constitution of the 11th National Finance Commission, the debate around revenue sharing takes centre-stage. For years, the federal government has repeated that 57.5 per cent of federal revenues are allocated to provinces, building the narrative that it is cash-strapped. This argument, while politically convenient, is misleading. When one examines the full composition of federal revenues, it becomes evident that the federal government retains close to 60pc of total revenues. A growing share of this is collected outside the NFC's divisible pool, particularly through the petroleum levy.

While politically expedient, relying on the petroleum levy and other surcharges as non-shareable revenue is deeply problematic. It bypasses the constitutional principles of the NFC, weakens the mechanism designed to ensure fair federal-provincial fiscal relations, and concentrates fiscal discretion in the hands of the federal executive. By creating a parallel pool of revenues untied to the NFC formula, the centre undermines transparency, and erodes trust in federalism. The narrative that provinces are draining the centre's resources is false and distracts from structural issues in federal finances.

Another persistent fallacy is the proposal that provincial transfers should be tied to performance, often implying that the centre should oversee provincial outcomes. At first glance, such arguments may seem reasonable: if resources are allocated, accountability appears justified. However, this line of reasoning misunderstands Pakistan's fiscal federalism. The NFC was designed solely as a mechanism for revenue sharing, not as a supervisory instrument. Provinces have constitutionally defined responsibilities, strengthened by the 18th Amendment, and conditioning transfers on federal assessment risks violating the spirit of federalism.

Moreover, if performance were to determine transfers, the principle must apply equally to the federal government, whose own failures in tax collection, exchange rate management, and debt administration directly shape the fiscal environment in which provinces operate. One-sided accountability, where provinces are scrutinised while the centre is shielded, reflects political expediency more than economic prudence.

Equally misleading is the claim that the seventh NFC Award is responsible for the federal government's growing debt. Pakistan's debt problem arises primarily from structural weaknesses and policy failures at the federal level. Two critical areas bear particular responsibility. First, the government's exchange rate management has been erratic and often counterproductive. Persistent overvaluation in some periods, followed by sharp devaluations, has generated uncertainty, inflated the local currency value of foreign-denominated debt, and contributed to high inflation.

Second, Pakistan's tax policies have consistently failed to raise revenue to sustainable levels. The federal tax-to-GDP ratio remains among the lowest in the region, reflecting poor base coverage, excessive exemptions, and weak enforcement. Together, these two policy failures, poor exchange rate management and inadequate taxation, have driven deficits, forced borrowing, and worsened debt sustainability. Misattributing debt accumulation to provincial transfers allows the federal government to avoid the reforms required to stabilise public finances, including rationalising expenditure, improving state-owned enterprises' efficiency, and reforming pensions.

> A permanent technical NFC will ensure debates are grounded in evidence rather than slogans.

Recognising these fallacies is the first step towards reform. What Pakistan urgently needs is a permanent, technically grounded NFC as a foundational layer of the NFC architecture. Currently, the NFC primarily functions as a political negotiation every five years, producing headline-grabbing percentages without rigorous analysis. A standing body of economists and fiscal experts could provide transparent, evidence-based recommendations, track revenue distribution across tiers, model alternative formulas for divisible and non-divisible pools, and ensure transfers reflect a changing development landscape.

Institutionalising technical expertise would transform NFC negotiations from episodic political contests into disciplined, data-driven policymaking, prevent politically motivated distortions, ensure transparency, and build trust between the centre and provinces.

Alongside a permanent NFC, Pakistan must also deepen tax devolution to provinces and cities, but both the federal and provincial governments share responsibility for current weaknesses. While the federal government has centralised tax collection, leaving provinces with limited authority, provincial governments have often blocked local government systems and resisted meaningful devolution. This mutual reluctance has created a cycle in which provinces remain dependent on federal transfers, cities are underfunded, and citizens see limited accountability.

Strengthening subnational fiscal capacity requires reform at both levels: granting provinces and cities meaningful tax powers, including property taxes, and unified sales taxes, while modernising revenue administrations through digitalisation and analytics. Linking local revenue mobilisation to service delivery would ensure that fiscal authority is matched with citizen expectations and that local governments can become viable instruments of governance.

Taken together, these reforms address both the misconceptions surrounding NFC distribution and the structural realities of Pakistan's fiscal landscape. Clarifying the true share of revenues corrects the false narrative of provincial generosity undermining the centre. Instituting a permanent technical NFC ensures debates are grounded in evidence rather than slogans. Expanding tax authority to provinces and cities strengthens fiscal capacity, enhances accountability, and improves service delivery. Each of these steps contributes to a balanced federal system, where resources are aligned with responsibilities and all tiers of government are incentivised to perform efficiently.

Addressing Pakistan's fiscal challenges requires more than debates over numbers or blame-shifting. Policymakers must commit to long-term reforms that strengthen institutional capacity, enforce fiscal discipline, and create incentives for all tiers of government to raise and manage resources effectively. By embedding technical rigour into revenue-sharing mechanisms and empowering lower tiers of governments to mobilise and utilise resources efficiently, Pakistan can build a more resilient fiscal architecture. Only through consistent, evidence-based policymaking and cooperative governance can the country ensure that public funds translate into tangible services, economic growth, and trust in federalism for the citizens it serves. ■

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